



Online Auction

EBAY (NASDAQ: EBAY)

Recommendation: HOLD

November 24, 2003

Analysts

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Current Price \$53.82
Target Price \$58.70

Early Stages of Growth

Company Overview

EBay is an innovative company in the online industry. They have developed a method of connecting buyers and sellers in a web-based auction format which is fully automated and topically arranged. EBay carries no inventory which enables them to keep their costs low. Their payment service, PayPal, allows anyone with an email account to send or receive payments, no credit cards are necessary. Although eBay's direction is largely driven by their customers, management is taking aggressive and strategic action to guide the company into the future. For nine months ended 9/30/03, revenues rose 90% to \$1.52 billion, net income rose 87% to \$304.7 million.

Stock Performance Highlights

52 week High	\$61.60
52 week Low	\$30.87
Beta Value	1.5
Average Volume (3 month)	10.9 m

Share Highlights

Market Capitalization	\$36.5 b
Shares Outstanding	642 m
Book Value per share	\$56.90
EPS 2002	\$0.40
P/E Ratio 2002	127

Company Performance Highlights

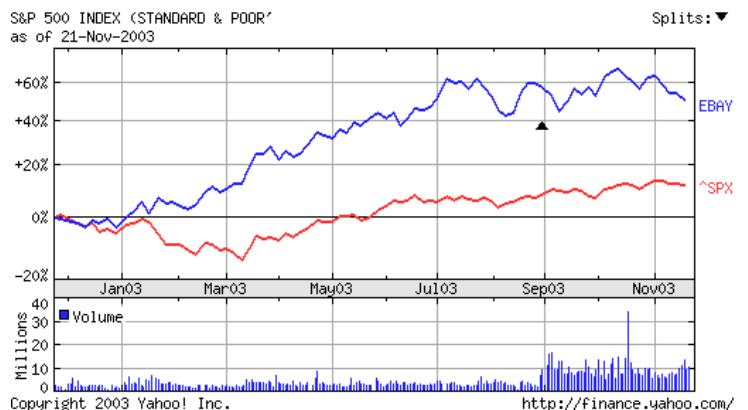
ROA	9.36%
ROE	10.74%
Sales 2002	\$1.21b
Profit Margin	20.68%
Operating Margin	27.96%

Financial Ratios

Debt to Equity	0.0
Current Ratio	3.473

- EBay has tremendous growth potential with expanding overseas markets. EBay motors are a growing portion of domestic sales and are the leading online used car dealer with over 300,000 cars sold in 2002.
- EBay currently has very little competition in the online auction industry. As their company grows so will their name recognition, making it harder for competition to penetrate their markets. People seeking the most value for their items will list them where they will be seen by the most people.
- Great business model. EBay carries no inventory, has very low capital requirements, and produces high profit margins.
- Revenue growth has been at very high levels and should continue to be strong in the future. International revenue up 105% y/y driven by strong German and U.K. growth, domestic revenue up 41% y/y.
- Relatively low penetration (5-6%) of global internet users. 37 million active users in 3rd quarter. Estimated 600+ million global users.

One Year Stock Performance vs. S&P 500

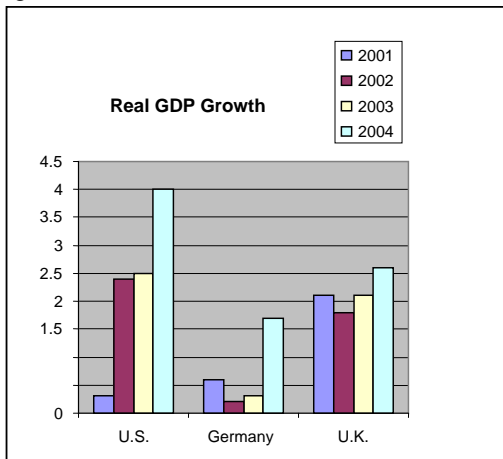


Economic Overview

GDP

GDP is a key driver for nearly every industry. In relation to Internet companies economic growth stimulates PC sales, internet subscriptions, and more disposable income. The Organisation for Economic Co-operation and Development (OECD), which tracks market economies around the world, is projecting GDP to increase as the U.S. comes out of the recent recession. EBay has growing international markets consisting of 29% of third quarter revenues. The two largest foreign markets are Germany and the U.K, with 59% and 15% of third quarter international revenues respectively.¹ This graph represents GDP growth in the U.S., Germany and the U.K. from 2001 projected through 2004.

Figure: 1



Organisation for Economic Co-operation and Development

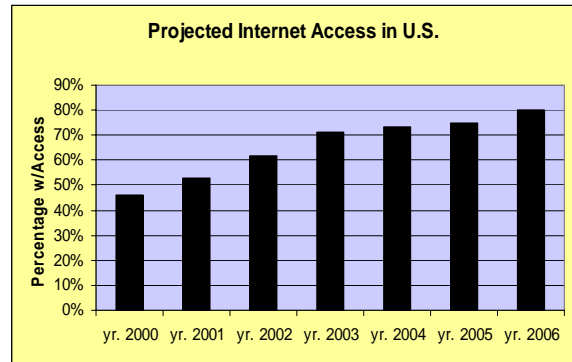
The U.S. had a huge 7.2% third quarter GDP growth, which was boosted by tax refund checks.² That level of growth is not expected to be sustained. However, we still expect significant growth in 2004. Germany's recent stagnating growth is expected to jump in 2004,

while the U.K. has had solid performance since 2001 and is expected to continue. These signs are all good for the major markets of eBay.³

Internet Subscriptions

Penetration of Internet subscriptions in the U.S. is one of the highest in the world. In addition, it is still growing every year. This trend is projected to continue through 2006. We expect U.S. penetration to level off at approximately 90% in 2010.

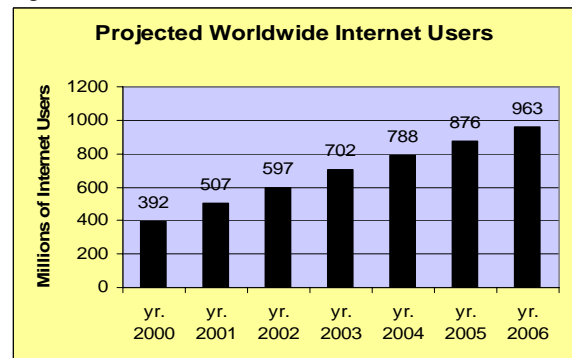
Figure: 2



S&P Industry Surveys: Computers: Consumer Services and the Internet

While it appears that penetration into the U.S. market for Internet users starts to slow considerably from 2004 to 2006, the worldwide market is a different story. Projections from Information Data Corp. show an increasing demand each year through 2006

Figure: 3



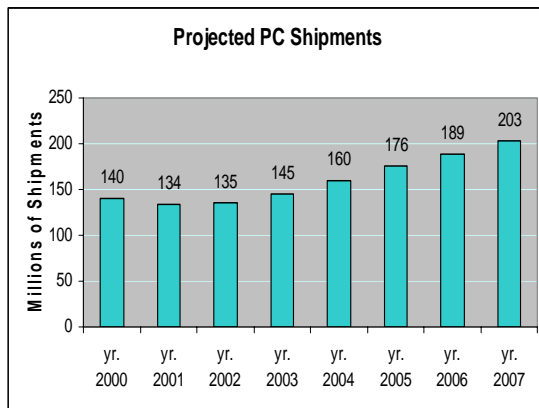
S&P Industry Surveys: Computers: Consumer Services and the Internet

The compound annual growth rate of new Internet users is projected at 14% from 2001 to 2006.⁴ This is a major reason why eBay will be targeting foreign markets for a large part of their growth. eBay will be there when usage accelerates and will be able to gain name recognition along with millions of international customers.

PC Sales

While we see a forecasted increase in demand for internet access, not all users currently have the means to get online. To do this, someone needs a personal computer (PC). PCs are the main gateway for individuals to access the Internet. Therefore, PC sales are one of the key drivers in determining if the growth in the Internet is to be expected.

Figure: 4



S&P Industry Surveys: Computers: Consumer Services and the Internet

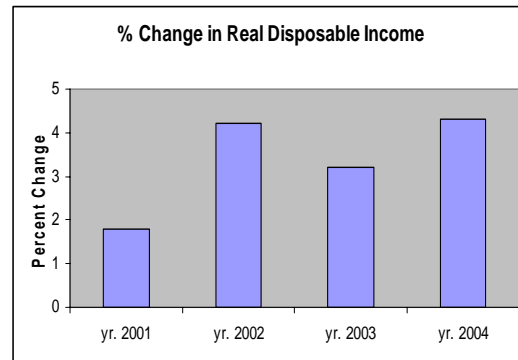
As you can see from Figure 4, shipments of new PCs have been relatively stagnant since 2000. However, projections through 2007 show a considerable increase in expected shipments.⁵ This indicates to us that more people will be wanting access to the Internet and therefore buying personal computers.

Disposable Income

For an e-commerce company such as eBay, disposable income is an important indicator. Disposable income puts more money in the hands of the consumers. The majority of sales on eBay are not sales of necessities, goods that sustain life; they are luxury goods such as cars, collectibles, entertainment, and jewelry that people buy for fun.

Real disposable income in 2003 is expected to be \$7218 billion, increasing from \$7032 in 2002. 2004 is estimated at \$7497 billion.⁶ Figure 5 shows percentage change in disposable income year to year. Growth is expected to accelerate in 2004, which will place more disposable money in the hands of consumers. This will translate into more purchases of luxury items, which eBay finds most of its users trading.

Figure: 5



www.econ.pncbank.com/neotext.pdf

Stock Market

The stock market is expected to continue its positive trend through 2004; however, we believe that eBay will continue to outperform the market as it has for the last five years. eBay has performed well in bull and bear markets, partly because during the recession sellers went to eBay to make some extra money, thus fueling its continuous growth.

Industry Analysis

EBay is commonly classified as a retail company. However, the way in which they go about it is a very young concept: the online auction. EBay sellers list items which buyers place bids on. When a buyer wins an auction, the seller mails the item directly to the buyer. The characteristic of eBay's business model that really sets them apart is that they carry no inventory. To illustrate the impact this can have let us compare eBay to Target, a retailer who carries inventory and with almost identical market cap. As of September 30, 2003 eBay had a trailing twelve-month profit margin of 20.68%, and an operating margin of 27.96%. Target, on the other hand had, a profit margin of 3.64% and an operating margin of 5.86%.⁷ This huge difference reveals the advantage of not carrying inventory. EBay also does not have brick and mortar stores which, along with no inventory, greatly reduce capital expenditures.

These reasons tempt us to put eBay into a separate industry classification, which would be Computer Services/Retail. Another company that would fit into this category would be Amazon.com, eBay's closest competitor. Amazon does carry some inventory, but still not as much as a traditional retailer. Amazon's trailing twelve-month profit margin as of September 30, 2003 was -0.72%, and their operating margin was 4.29%.⁸ This reveals the superiority of eBay's business model.

Online auctions are currently still in the growth stage of their life cycle. The business cycle reaction is hard to judge at this point due to the continuous growth of this small industry. However, once it enters the mature phase we think it will follow a cyclical pattern

reflecting incomes during both prosperous times and recessions.

External Factors

Through November of 2003, all interstate sales made on the Internet are not subject to sales tax. A bill has also been introduced in both the Senate and the House of Representatives to permanently extend this law to promote technology growth.

As of May of 2002, the Cyber Security Enhancement Act has been in effect to provide more severe punishment to computer hackers.⁹ For companies that do business exclusively on the Internet, this is beneficial to the security of their sites and the customers who use them. EBay has not had any major incidences yet, but if something happened it could potentially destroy consumer confidence and cripple their business.

These events will help e-commerce evolve into a more mainstream form of purchasing goods. The government is taking a special interest in making sure the Internet is a safe and reliable place to do business.

Supply Analysis

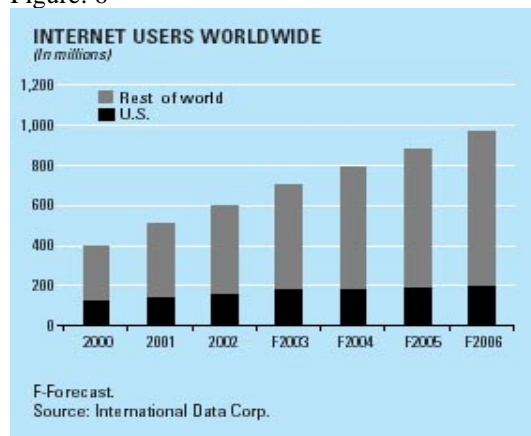
In this new emerging industry of online auctions, there are very few companies. Other than eBay, Yahoo! is the only company with a significant auction site. Amazon.com, who only has a fixed price format, is also a major competitor. This is somewhat surprising considering the barriers to entry are almost nonexistent, requiring only a minimal amount of software to get started. However, name recognition of the industry leader, eBay, might possibly be enough to deter other auction startups. Depth of users is crucial to receive good market clearing prices. Without a large

amount of prospective buyers viewing items, sellers will not be attracted to list items. Due to the same factor of low start up costs, the industry has an unlimited amount of capacity for growth.

Demand Analysis

More Internet users means more people are going to hit the auction sites. Worldwide Internet usage is on a steady increase.

Figure: 6



S&P Industry Surveys: Computers: Consumer Services and the Internet

The United States is still growing in the number of users, but not nearly at the rate of international users. In Europe deregulation is resulting in more people having affordable access to the Internet.¹⁰ Europe is one of the major emerging markets in the online auction industry.

Profitability

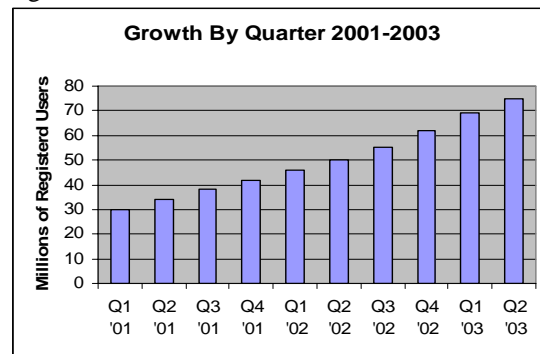
Online auctions do not have to deal with taking orders, carrying inventory, have low capital requirements, and have very little profit risk involved. They provide a medium so the buyer and the seller can find each other; for this they charge a small commission on the selling price of the product, or a similar fee. More competition in the industry might bring

the commissions charged into a more competitive price range in the future, but even then high profit margins would remain.

EBay Company Analysis

EBay was started in September 1995, and its original purpose was to trade Beanie Babies. It has now evolved into the world's largest online auction site and claims to be the most visited site on the Internet. Registered users reached 86 million in the third quarter, of which 37.4 million are currently active.¹¹ Nearly 25% of all Internet users have found themselves on eBay's site at least once.¹²

Figure: 7



www.eBay.com: Investor Relations

EBay has developed a system where shoppers can browse through millions of items in the inventory, sorted by 35,000 categories. The site is easy to navigate. To find goods, a buyer can either enter the description via search mode, or browse by category titles. A unique trait that eBay capitalizes on is the basic human desire to "win" the auction game, which in turn drives up final selling prices, and eBay's revenues.

EBay uses a system called PayPal for sellers to receive online payments securely and quickly. A traditional credit card is not required to use this site because PayPal can be linked directly to

you bank account. EBay has penetrated several foreign markets and have strong sales in Germany and the U.K. A branch of eBay, eBay Motors, is considered by some to be the largest used car market in the world.

Strategy

EBay is a very young company in the growth stage of its lifecycle. They are trying to expand their business by acquiring or buying significant shares of online auction sites. The acquisitions of foreign online auction sites are especially needed to drive international expansion.

EBay is still growing rapidly in the U.S. in terms of users. They have been aggressively marketing on T.V., internet, and print. In the past eBay was closed off from search engines. Recently they have allowed search engines to traffic their site to list items listed on eBay. The majority of new eBay users are from people directly typing "eBay.com."¹³ This reaffirms the powerful name recognition mentioned previously. EBay also has significant focus on the international market at this point. Market inefficiencies in scarce, end-of-life, and used/vintage items are large in the international markets, as they once were in the U.S. as internet use and acceptance of e-commerce grow internationally, eBay will be in perfect position, due to their efforts to build a global marketplace, to capitalize on these inefficiencies.¹⁴

Some major recent acquisitions for eBay have been that of PayPal in October of 2002, and EachNet in July of 2003. On November 16, 2003, eBay made a bid to purchase the remaining 49.9% of shares it didn't already own in Internet Auction Co. Ltd., the leading Korean auction site. The deal is expected to be

completed by mid December.¹⁵ Also, in January of 2003 eBay acquired certain assets of CARad.com to expand on its eBay Motors business.¹⁶

PayPal, the method of payment on eBay, enables anyone with an email account in 38 countries to securely, easily and quickly send and receive payments online. They were acquired to speed up the buying process by eliminating various obstacles presented by traditional payment methods. PayPal makes international sales easier because customers don't have to deal with currency differences.¹⁷

EachNet, acquired to fuel eBay's global expansion, is the leading e-commerce company in China. EachNet allows their users to buy and sell a wide range of products through both auction format and fixed price.¹⁸ Seeing as how the Chinese market is huge, and difficult to tap for traditional companies, we see this investment as giving eBay a significant edge over their competition.

Marketing

EBay benefits from a marketplace with monopolistic characteristics. They have managed to attract a large number of buyers and sellers to their site. The more buyers browsing the site, the more likely a seller will receive top dollar for an item. Early in its development eBay had some competition from other online auction websites. Now eBay, because of the size they have achieved, has very few direct competitors on the same scale. This means that buyers and sellers have very little incentive to look outside of the eBay market. This is what gives it the monopolistic characteristics.¹⁹

As eBay expands internationally their name recognition will attract customers

to at least browse through the site, if not become active members. Many countries are converting from dial-up to much faster broadband connections. eBay will benefit from this because more people will be conducting transactions online. Currently, foreign revenues consist of 29% of eBay's total; we expect this to increase substantially as penetration into the international market becomes more complete.²⁰

eBay has local sites that serve Australia, Austria, Belgium, Canada, France, Germany, Ireland, Italy, Korea, the Netherlands, New Zealand, Singapore, Spain, Sweden, Switzerland, Taiwan and the United Kingdom. In addition, eBay has a presence in Latin America through its investments in MercadoLibre.com which serves 8 South American countries and EachNet which services China.²¹ A breakdown of fourth quarter to date listings as of October 27 is found in figure 8. eBay tried to enter the Japan market but recently closed all operations there. They were unable to compete with Yahoo! Japan, who has the dominant auction site there.

Listings in Germany and the U.K. have taken off at an incredible rate showing much promise in the international markets. If eBay's other international markets follow that same trend, they will be well on their way to creating the global marketplace they wish to achieve.

eBay is always trying to add features to the site and redesign it to make it more appealing to a broader range of customers. In October, eBay launched an ad campaign directed towards small retailers and wholesalers. Traditionally, eBay users were individual people selling or buying items from home. eBay entered the wholesale market one year ago and is seeing a strong increase

in sales. This campaign is looking for businesses that need to unload various amounts of discounted inventory.²²

Figure 8

	# Listings in 1000's	y/y change
Global	72,911	42%
U.S.	45,897	26%
Intl.	27,014	83%
Germany	16,633	49%
U.K.	6,108	144%
Italy	341	53%
France	944	113%
Canada	52	21%
Australia	1,061	185%
Taiwan	749	
Netherlands	311	
Austria	294	
Belgium	199	
Spain	127	
Switzerland	78	
Singapore	62	
New Zealand	24	
Sweden	21	
Ireland	8	
Mercado Libre	3,094	

Morgan Stanley Analyst Report Oct. 30, 2003

Activity similar to this has been happening on eBay for a while. More bulk will bring in higher commissions because eBay charges a fee on the final selling price of an item. If that item is a high priced wholesale lot, then it will generate more revenue. To compliment this eBay has implemented new wholesale categories to give the niche markets some structure. One large wholesaler eBay has already attracted is Motorola Inc., who is being used as an example to try and attract more companies. Internet wholesale is still in its infancy and eBay is getting in at the right time.²³

One of eBay's newly implemented features is the "Buy It Now" option. This is more of a traditional concept where the item has a fixed price that it will sell at. EBay could move into the retail wholesale business more easily using this feature. More than a quarter of the items listed on eBay have this option. This is bringing new business to eBay from companies such as Crest, Sears, and Walt Disney, where they sell brand new items utilizing the "Buy It Now" option. EBay could very well become a global distribution environment for these large companies.²⁴

Anything eBay can do to make transactions smoother will result in a higher conversion rate, in other words, more prospective buyers purchasing items. To remove some of the hassle from selling items on eBay, they teamed up with UPS. Previously, after an item was sold, the seller had to switch to an outside website to calculate shipping charges. These charges were sometimes quite surprising to the buyer. Now, UPS has integrated a shipping calculator into PayPal so the buyer of an item can enter their zip code and find out instantly what the shipping costs will be.²⁵

EBay Motors is finding huge success in selling used cars and auto parts. Starting in 1998, it has now built a \$5 billion business where it sold over 300,000 cars in 2002. About half of the sellers are brick-and-mortar dealers who now have a national market online to include in their smaller original geographical area. Part of the success is due to the feedback portion of the sales process. After buyers have purchased an item, in this case a car, they leave feedback on how well the seller cooperated and their honesty. Insurance, warranty plans, an escrow

service, and shipping and inspection services have also been arranged to help protect the buyer. This has shown to be an excellent domestic growth opportunity that could eventually be expanded to Europe and other regions.²⁶ Germany, eBay's most profitable foreign market, has already found success doing this.

The largest part of eBay's revenues come from fees associated with items listed on their website. There is an insertion fee that is charged just for listing an item and is based on the starting price of the item. If the item is listed with a reserve price (minimum selling price), then an additional reserve price auction fee is based on the reserve price, and refunded if the item sells. After an item sells a final valuation fee is charged based on the final selling price. Pictures can also be added to the listing for an additional fee.²⁷ Figure 9 on the next page shows a breakdown of the various charges.

Fees for selling vehicles are slightly different. A flat insertion fee is charged for listing the vehicle that is non-refundable, \$40 for a passenger vehicle and \$25 for a motorcycle. This is not based on the starting bid price. A flat \$2.00 fee is charged for having a reserve price, and a flat \$1.00 fee is charged for the "Buy It Now" option. Pictures are charged the same as regular items. Finally, when a bid is made, or a bid that meets the reserve is made, a transaction fee is charged which is the same amount as the insertion fee, either \$40 or \$25. There is no final valuation fee associated with vehicle sales.²⁸

Figure 9

Starting Price, Opening Value, or Reserve Price	Insertion Fee
\$0.01 - \$9.99	\$ 0.30
\$10.00 - \$24.99	\$ 0.55
\$25.00 - \$49.99	\$ 1.10
\$50.00 - \$199.99	\$ 2.20
\$200.00 and up	\$ 3.30
Reserve Price	Reserve Price Auction Fee
\$0.01 - \$24.99	\$ 0.50
\$25.00 - \$99.99	\$ 1.00
\$100.00 and up	1% of reserve price (max \$100)
Feature	Fee
First Picture	Free
Each additional Pic.	\$ 0.15
Title Bar Pic.	Free
Slide Show	\$ 0.75
Supersize Image	\$ 0.75
Picture Pack	\$ 1.00

Closing Value	Final Value Fee
\$0 - \$25	5.25% of Closing Value
\$25 - \$1,000	5.25% of the initial \$25 (\$1.31) plus 2.75% on the remaining closing value balance (\$25.01 - \$1,000)
Over \$1,000	5.25% of the initial \$25 (\$1.31) plus 2.75% of the initial \$25 - \$1,000 (\$26.81) plus 1.5% of the remaining closing value balance (\$1,000.01 - closing value)

www.eBay.com: help center: fees overview

Key Risks to eBay

In the current market, eBay has very little direct competition. Yahoo! has a meager auction site; Amazon.com sells used items in non-auction format for set prices. Search engines are another arena

that could infringe on eBay's market share. Fixed prices are becoming important to buyers, and search engines can quickly locate the lowest-priced items on the web. The competition from search engines is not yet significant, but could prove threatening in the future.²⁹

eBay is relying on international markets fairly heavily for growth. The U.K. and Germany have worked out very well and continue to provide much growth. However, if Korea, Italy, Brazil, France, and China don't develop as quickly, this could hurt the valuation of the company.³⁰

Future Prospects and Opportunities

eBay has big plans for expansion throughout the global market. Their name recognition will take them far, discouraging most competition. eBay has a very attractive business model and the potential of enormous growth. Yet, valuing eBay is very difficult because we don't know how fast they will grow or when they will slow down. Also, they face some risks such as: the acquisition of PayPal and how they integrate them into the company, not reaching the high growth rate that investors are expecting, or that online auctions won't catch on in some foreign markets.

Sensitivity Analysis

The main factors affecting our valuation models are the assumptions of the sales growth rate, continuing value growth rate, and expenses such as cost of revenues, selling and marketing, product development, and general and administrative. eBay's value is mainly derived from their expected growth opportunities.

Worst Case

Worst case scenario for eBay is that they fail to achieve a continuing value growth rate of 7%. The 7% growth rate is assumed because growth opportunities will be coming from many different parts of the world. There will always be room for eBay to expand within each individual market for many years to come. If a strong competitor develops in any of the foreign markets, it could slow their growth rate. Also, if world wide use of the internet doesn't proceed at the predicted rate, then eBay would not have the amount of potential users they expect.

eBay Motors is also a key to domestic growth. If eBay Motors declines as a prominent used car platform this would greatly reduce predicted domestic growth. If eBay's becomes more sensitive to the market due to poor growth rates, this could result in a higher WACC. A combination of increased WACC and a lower continuing value growth rate would result in a price range of \$40 - \$48.

eBay could have stronger competition develop. If this happens then their ROIC could be reduced because they would have to compete on price. We are not expecting this because depth of users is the key to attaining good market prices for items. However, with a decreased ROIC and a slower growth rate, eBay would be valued at \$44 - \$50.

Best Case

The best outcome for eBay would arise from total domination of the online auction industry. We see this as a definite possibility. They have a market cap of \$33 billion and barely any competition in sight. Amazon.com is

struggling and Yahoo! has yet to produce many results with their auction. Search engines could provide some competition. However, eBay has already begun to incorporate search engines into their website by allowing searches to locate items on their site.

As eBay grows their name recognition will also grow. Name recognition is one of their most valuable traits. It will draw larger numbers of sellers who wish to get the highest selling price, and it will draw larger numbers of buyers looking for a wide selection of goods. This domination could smother any potential competition.

If eBay becomes a stable dominate powerhouse with steady revenue coming in year after year, this would reduce the beta implied by the market. If eBay surpasses the growth rate assumptions and their beta is currently higher than it should be, then a price of \$75 - \$90 would be appropriate.

eBay's could increase ROIC from having very little competition and developing foreign markets, such as China and South America, into steady performers. In this case, a lower beta would also be appropriate. A price of \$75 - \$80 would be implied from higher ROIC and lower beta.

Looking at our current price projections and our sensitivity analysis we see more positive potential than negative potential for eBay. We believe that the foreign expansion will be successful and that the value of eBay will continue to rise.

Sources:

¹ Morgan Stanley Analyst Report: eBay, Oct. 30, 2003

² Bureau of Economic Analysis

- ³ The Organisation for Economic Co-operation and Development (www.oecd.org)
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- ⁵ S&P Industry Surveys: Computers: Consumer Services and the Internet
- ⁶ PNC Bank (www.econ.pncbank.com)
- ⁷ Yahoo! Finance (finance.yahoo.com)
- ⁸ Yahoo! Finance (finance.yahoo.com)
- ⁹ Standard and Poor's Industry Surveys: Computers: Consumer Services and the Internet
- ¹⁰ Standard and Poor's Industry Surveys: Computers: Consumer Services and the Internet
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- ¹⁴ www.eBay.com: Investor Relations
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- ²⁷ www.eBay.com: help center: fees overview

- ²⁸ www.eBay.com: help center: fees overview
- ²⁹ Merrill Lynch Analyst Report: eBay, Sept. 5, 2003 and Deutsche Bank Securities Analyst Report: eBay, Sept. 8, 2003
- ³⁰ Merrill Lynch Analyst Report: eBay, Sept. 5, 2003 and Deutsche Bank Securities Analyst Report: eBay, Sept. 8, 2003

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EBAY

Income Statement

Fiscal Years Ending Dec. 31st

	2000	2001	2002	2003E	2004E	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Net revenues	431,424	748,821	1,214,100	2,112,534	2,894,172	3,849,248	5,004,023	6,405,149	8,006,436	9,767,852	11,623,744	13,599,781	15,503,750	17,519,237	19,446,354	21,196,525	22,892,247	24,494,705
Cost of net revenues	95,453	134,816	213,876	380,256	520,951	692,865	900,724	1,152,927	1,441,159	1,758,213	2,092,274	2,447,961	2,790,675	3,153,463	3,500,344	3,815,375	4,120,605	4,409,047
Gross profit (loss)	335,971	614,005	1,000,224	1,732,278	2,373,221	3,156,384	4,103,299	5,252,222	6,565,278	8,009,639	9,531,470	11,151,820	12,713,075	14,365,775	15,946,010	17,381,151	18,771,643	20,085,658
Sales & marketing	166,767	253,474	349,650	570,384	781,426	1,039,297	1,351,086	1,729,390	2,161,738	2,637,320	3,138,411	3,671,941	4,186,012	4,730,194	5,250,515	5,723,062	6,180,907	6,613,570
Product development	55,863	75,288	104,636	169,003	231,534	307,940	400,322	512,412	640,515	781,428	929,900	1,087,982	1,240,300	1,401,539	1,555,708	1,695,722	1,831,380	1,959,576
General & administrative	73,027	105,784	171,785	295,755	376,242	461,910	550,442	640,515	720,579	781,428	929,900	1,087,982	1,240,300	1,401,539	1,555,708	1,695,722	1,831,380	1,959,576
Payroll expense on employee stock options	2,337	2,442	4,015	5,674	7,333	8,992	10,651	12,310	13,969	15,628	17,287	18,946	20,605	22,264	23,923	25,582	27,241	28,900
Amortization of acquired intangibles	1,433	36,591	15,941	47,555	47,052	43,844	38,297	37,212	32,753	32,752	0	0	0	0	0	0	0	0
Merger related costs	1,550	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total operating expenses	300,977	473,579	646,027	1,088,371	1,443,587	1,861,983	2,350,798	2,931,839	3,569,554	4,248,556	5,015,497	5,866,852	6,687,217	7,555,536	8,385,855	9,140,088	9,870,907	10,561,623
Income (loss) from operations	34,994	140,426	354,197	643,907	929,633	1,294,401	1,752,500	2,320,383	2,995,724	3,761,082	4,515,973	5,284,968	6,025,857	6,810,239	7,560,155	8,241,063	8,900,735	9,524,035
Interest & other income, net	46,337	41,613	49,209	33,487	37,006	41,097	45,842	51,383	57,583	64,325	71,413	78,927	86,292	94,062	101,640	108,762	115,799	122,639
Interest expense	3,374	2,851	1,492	1,860	14,845	14,385	14,146	13,982	13,914	13,858	13,802	13,747	13,691	13,636	13,580	13,525	13,469	13,413
Impairment of certain equity investments	0	16,245	3,781	6,189	6,783	8,119	9,382	11,259	14,074	17,170	20,432	23,905	27,252	30,795	34,182	37,259	40,240	43,056
Income (loss) before income taxes	77,957	162,943	398,133	669,344	945,011	1,312,994	1,774,814	2,346,525	3,025,320	3,794,380	4,553,152	5,326,243	6,071,206	6,859,870	7,614,032	8,299,041	8,962,826	9,590,204
Provision for income taxes	32,725	80,009	145,946	207,497	292,953	407,028	550,192	727,423	937,849	1,176,258	1,411,477	1,651,135	1,882,074	2,126,560	2,360,350	2,572,703	2,778,476	2,972,963
Dividends Paid	0	0	0	0	0	0	0	0	-	104,374	251,375	462,448	771,038	1,093,790	1,455,808	1,633,086	1,882,896	2,021,683
Minority interest in consolidated company	3,062	7,514	-2,296	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity interest in partnership income (loss)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net income (loss)	48,294	90,448	249,891	461,848	652,058	905,966	1,224,621	1,619,102	2,087,471	2,513,749	2,890,300	3,212,660	3,418,094	3,639,520	3,797,874	4,093,252	4,301,454	4,595,558

EBAY

Balance Sheet
Fiscal Years Ending Dec. 31st

	2000	2001	2002	2003E	2004E	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Current Assets																		
Cash & cash equivalents	201,873	523,969	1,109,313	1,638,567	2,388,301	3,366,227	4,676,339	6,430,154	8,573,843	11,050,754	13,735,178	16,541,732	19,278,416	21,930,200	24,416,972	27,070,640	29,726,974	32,589,610
Short-term investments	354,166	199,450	89,690	147,877	202,592	269,447	350,282	448,360	560,451	683,750	813,662	951,985	1,085,262	1,226,347	1,361,245	1,483,757	1,602,457	1,714,629
Accounts receivable, net	67,163	101,703	172,467	316,880	434,126	577,387	750,603	960,772	1,200,965	1,465,178	1,743,562	2,039,967	2,325,562	2,627,886	2,916,953	3,179,479	3,433,837	3,674,206
Other current assets	52,262	58,683	96,988	169,003	231,534	307,940	400,322	448,360	560,451	683,750	813,662	951,985	1,085,262	1,226,347	1,361,245	1,483,757	1,602,457	1,714,629
Total current assets	675,464	883,805	1,468,458	2,272,328	3,256,552	4,521,001	6,177,545	8,287,647	10,895,709	13,883,431	17,106,064	20,485,669	23,774,504	27,010,779	30,056,414	33,217,632	36,365,726	39,693,074
Long term investments	344,587	416,612	604,871	630,880	658,008	686,303	715,814	746,594	778,697	812,181	847,105	883,530	921,522	961,148	1,002,477	1,045,584	1,090,544	1,137,437
Gross property & equipment	194,178	264,031	379,789	528,134	578,834	692,865	800,644	960,772	1,200,965	1,465,178	1,743,562	2,039,967	2,325,562	2,627,886	2,916,953	3,179,479	3,433,837	3,674,206
Less: accumulated depreciation & amortization	69,017	121,682	161,761	218,686	239,679	286,896	331,525	397,829	497,287	606,690	721,961	844,694	962,951	1,088,135	1,207,830	1,316,535	1,421,858	1,521,388
Property & equipment, net	125,161	142,349	218,028	309,448	339,155	405,968	469,119	562,943	703,679	858,488	1,021,601	1,195,273	1,362,611	1,539,750	1,709,123	1,862,944	2,011,980	2,152,818
Goodwill	0	187,829	1,456,024	1,456,024	1,456,024	1,456,024	1,456,024	1,456,024	1,456,024	1,456,024	1,456,024	1,456,024	1,456,024	1,456,024	1,456,024	1,456,024	1,456,024	1,456,024
Intangible assets, net	13,063	10,810	279,465	231,910	184,858	141,014	102,717	65,505	32,752	0	0	0	0	0	0	0	0	0
Deferred tax assets	13,892	21,540	84,218	85,060	85,911	86,770	87,638	88,514	89,399	90,293	91,196	92,108	93,029	93,959	94,899	95,848	96,806	97,774
Other assets	10,236	15,584	13,380	15,387	17,695	20,349	23,402	26,912	30,949	35,591	40,930	47,069	54,130	62,249	71,586	82,324	94,673	108,874
Total assets	1,182,403	1,678,529	4,124,444	5,001,037	5,998,203	7,317,430	9,032,259	11,234,139	13,987,209	17,136,008	20,562,919	24,159,673	27,661,820	31,123,909	34,390,524	37,760,356	41,115,753	44,646,002
Current Liabilities																		
Accounts payable	31,725	33,235	97,820	169,003	231,534	307,940	400,322	512,412	640,515	781,428	929,900	1,087,982	1,240,300	1,401,539	1,555,708	1,695,722	1,831,380	1,959,576
Accrued expenses & other current liabilities	66,697	94,593	199,323	311,566	426,845	567,704	738,015	944,660	1,180,825	1,440,606	1,714,321	2,005,756	2,286,562	2,583,815	2,868,034	3,126,157	3,376,250	3,612,588
Deferred revenue & customer advances	12,656	15,583	18,846	42,251	57,883	76,985	100,080	128,103	160,129	195,357	232,475	271,996	310,075	350,385	388,927	423,931	457,845	489,894
Short-term debt	15,272	16,111	2,970	4,145	2,153	1,478	616	506	500	500	500	500	500	501	502	503	504	505
Income taxes payable	11,092	20,617	67,265	64,324	90,816	126,179	170,560	225,501	290,733	364,640	437,558	511,852	583,443	659,234	731,708	797,538	861,328	921,619
Total current liabilities	137,442	180,139	386,224	591,288	809,231	1,080,286	1,409,593	1,811,182	2,272,702	2,782,531	3,314,754	3,878,086	4,420,880	4,995,473	5,544,880	6,043,851	6,527,306	6,984,182
Long-term debt	11,404	12,008	13,798	129,653	127,500	126,022	125,406	124,900	124,400	123,900	123,400	122,900	122,400	121,899	121,397	120,894	120,390	119,885
Deferred tax liabilities	0	3,629	111,843	112,961	114,091	115,232	116,384	117,548	118,724	119,911	121,110	122,321	123,544	124,780	126,027	127,288	128,561	129,846
Other liabilities	6,549	15,864	22,874	41,244	50,010	59,982	73,174	90,323	112,341	139,872	171,360	205,629	241,597	276,618	311,239	343,905	377,604	411,158
Minority interests	13,248	37,751	33,232	35,558	38,047	40,711	43,560	46,610	49,872	53,363	57,099	61,096	65,372	69,948	74,845	80,084	85,690	91,688
Total liabilities	168,643	249,391	567,971	910,705	1,138,880	1,422,232	1,768,118	2,190,562	2,678,039	3,219,578	3,787,722	4,390,032	4,973,793	5,588,718	6,178,389	6,716,022	7,239,550	7,736,759
Series B mand redeem pfd stk & series B wrnts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Series A convertible preferred stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Common stock	941,554	1,275,517	3,108,754	3214010	3330944	3460852	3605174	3765508	3943631	4141516	4361357	4605590	4876920	5178354	5513232	5885265	6298575	6757741
Notes receivable from stockholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unearned stock-based compensation	1,423	-2,367	-5,253	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Retained earnings (accumulated deficit)	74,504	164,633	414,474	876,322	1,528,379	2,434,345	3,658,967	5,278,069	7,365,540	9,774,915	12,413,840	15,164,052	17,811,107	20,356,837	22,698,903	25,159,070	27,577,628	30,151,502
Accumulated other comprehensive income (loss)	-875	-8,645	38,498	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total stockholders' equity	1,013,760	1,429,138	3,556,473	4,090,332	4,859,324	5,895,197	7,264,140	9,043,577	11,309,170	13,916,431	16,775,197	19,769,641	22,688,027	25,535,191	28,212,135	31,044,335	33,876,202	36,909,243

EBAY

Cash Flow Statement
Fiscal Years Ending Dec.31st

	2000	2001	2002	2003E	2004E	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Cash Flows From Operating Activities																		
Net income (loss)	48,294	90,448	249,891	461,848	652,058	905,966	1,224,621	1,619,102	2,087,471	2,513,749	2,890,300	3,212,660	3,418,094	3,639,520	3,797,874	4,093,252	4,301,454	4,595,558
Provision for doubtful accounts & auth cred	18,237	25,243	25,455	47,532	65,119	86,608	112,591	144,116	180,145	219,777	261,534	305,995	348,834	394,183	437,543	476,922	515,076	551,131
Provision for transaction losses	-	-	7,832	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation & amortization	38,050	86,641	76,576	105,627	115,767	138,573	160,129	192,154	240,193	293,036	348,712	407,993	465,112	525,577	583,391	635,896	686,767	734,841
Amort of unearned stock-based compensation	7,141	3,091	5,953	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax benefit on exercise of stock options	37,483	81,705	91,237	84,501	115,767	153,970	200,161	256,206	320,257	390,714	464,950	543,991	620,150	700,769	777,854	847,861	915,690	979,788
Other accounts	(1,475)	-	-	(155,937)	(191,836)	(259,726)	(334,157)	(431,234)	(554,311)	(688,509)	(936,762)	(1,238,870)	(1,597,673)	(2,067,103)	(2,537,949)	(3,031,174)	(3,325,008)	(3,680,753)
Impairment of certain equity investments	-	16,245	3,781	2,408	594	1,336	1,263	1,876	2,815	3,096	3,262	3,473	3,347	3,543	3,387	3,076	2,981	2,817
Minority interest & other	-	(10,170)	1,324	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of assets	-	-	(21,378)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working Capital																		
Accounts receivable	(48,862)	(50,221)	(66,402)	(144,413)	(117,246)	(143,261)	(173,216)	(210,169)	(240,193)	(264,212)	(278,384)	(296,405)	(285,595)	(302,323)	(289,067)	(262,526)	(254,358)	(240,369)
Other current assets	(40,775)	11,607	10,716	(72,015)	(62,531)	(76,406)	(92,382)	(48,039)	(112,090)	(123,299)	(129,912)	(138,323)	(133,278)	(141,084)	(134,898)	(122,512)	(118,701)	(112,172)
Intangible assets	-	(4,787)	(1,195)	47,555	47,052	43,844	38,297	37,212	32,753	32,752	-	-	-	-	-	-	-	-
Deferred tax assets	-	(11,408)	8,134	(842)	(851)	(859)	(868)	(876)	(885)	(894)	(903)	(912)	(921)	(930)	(940)	(949)	(958)	(968)
Accounts payable	(408)	(4,087)	8,604	71,183	62,531	76,406	92,382	112,090	128,103	140,913	148,471	158,083	152,318	161,239	154,169	140,014	135,658	128,197
Accrued expenses & other current liabilities	37,826	6,790	35,481	112,243	115,279	140,859	170,311	206,644	236,165	259,781	273,715	291,435	280,806	297,253	284,220	258,123	250,093	236,338
Deferred revenue & customer advances	-	1,516	2,780	23,405	15,633	19,102	23,095	28,023	32,026	35,228	37,118	39,521	38,079	40,310	38,542	35,003	33,914	32,049
Income taxes payable	4,637	9,499	41,114	(2,941)	26,492	35,363	44,381	54,941	65,232	73,907	72,918	74,294	71,591	75,791	72,475	65,829	63,790	60,291
Deferred tax liabilities	-	-	-	1,118	1,130	1,141	1,152	1,164	1,175	1,187	1,199	1,211	1,223	1,235	1,248	1,260	1,273	1,286
Net cash flows from operating activities	100,148	252,112	479,903	581,272	844,957	1,122,915	1,467,761	1,963,212	2,418,855	2,887,226	3,156,219	3,364,147	3,382,086	3,327,980	3,187,849	3,140,076	3,207,669	3,288,033
Cash Flows From Investing Activities																		
Net property & equipment	(49,753)	(52,860)	(102,893)	(91,420)	(29,707)	(66,814)	(63,151)	(93,824)	(140,736)	(154,809)	(163,113)	(173,672)	(167,338)	(177,139)	(169,373)	(153,821)	(149,036)	(140,839)
Short term investments	150,451	136,504	4,148	(58,187)	(54,715)	(66,855)	(80,834)	(98,079)	(112,090)	(123,299)	(129,912)	(138,323)	(133,278)	(141,084)	(134,898)	(122,512)	(118,701)	(112,172)
Acquisitions, net of cash acquired	-	(111,730)	(59,411)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchases of other non-current assets	(5,850)	(1,733)	397	(18,370)	(8,766)	(9,972)	(13,192)	(17,148)	(22,019)	(27,531)	(31,488)	(34,269)	(35,968)	(35,021)	(34,621)	(32,666)	(33,698)	(33,554)
Payments (advances) on notes receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash flows from investing activities	(206,054)	(29,819)	(157,759)	(167,978)	(93,188)	(143,641)	(157,177)	(209,051)	(274,845)	(305,639)	(324,513)	(346,264)	(336,584)	(353,245)	(338,892)	(308,999)	(301,434)	(286,565)
Cash Flows From Financing Activities																		
Proceeds from issuance of common stock	45,556	123,710	252,181	105	117	130	144	160	178	198	220	244	271	301	335	372	413	459
Proc from issuance of common stock by subs	37,737	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds (principal pymts) on long-term debt	2,869	(21,886)	(64)	115,855	(2,153)	(1,478)	(616)	(506)	(500)	(500)	(500)	(500)	(500)	(501)	(502)	(503)	(504)	(505)
Dividends Payable	-	-	-	-	-	-	-	-	-	-	(104,374)	(147,001)	(211,073)	(308,590)	(322,752)	(362,018)	(499,278)	(638,810)
Other financing activities	(27)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Partnership distributions	(157)	(319)	(50)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash flows from financing activities	85,978	101,505	252,067	115,960	(2,036)	(1,348)	(472)	(346)	(322)	(104,676)	(147,281)	(211,329)	(308,819)	(322,951)	(362,185)	(499,278)	(638,810)	(838,810)
Net increase (decrease) in cash	(19,928)	322,096	585,344	529,254	749,733	977,926	1,310,112	1,753,815	2,143,689	2,476,911	2,684,424	2,806,554	2,736,684	2,651,784	2,486,772	2,653,668	2,656,334	2,862,636
Cash beginning of year	221,801	201,873	523,969	1,109,313	1,638,567	2,388,301	3,366,227	4,676,339	6,430,154	8,573,843	11,050,754	13,735,178	16,541,732	19,278,416	21,930,200	24,416,972	27,070,640	29,726,974
Cash end of year	201,873	523,969	1,109,313	1,638,567	2,388,301	3,366,227	4,676,339	6,430,154	8,573,843	11,050,754	13,735,178	16,541,732	19,278,416	21,930,200	24,416,972	27,070,640	29,726,974	32,589,610

EBAY

Common Size Income Statement

Fiscal Years Ending Dec. 31st

	2000	2001	2002	2003E	2004E	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Net revenues	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Cost of net revenues	22%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%
Gross profit (loss)	78%	82%	82%	82%	82%	82%	82%	82%	82%	82%	82%	82%	82%	82%	82%	82%	82%	82%
Sales & marketing	39%	34%	29%	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%
Product development	13%	10%	9%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
General & administrative	17%	14%	14%	14%	13%	12%	11%	10%	9%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Payroll expense on employee stock options	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Amortization of acquired intangibles	0%	5%	1%	2%	2%	1%	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Merger related costs	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total operating expenses	70%	63%	53%	52%	50%	48%	47%	46%	45%	43%	43%	43%	43%	43%	43%	43%	43%	43%
Income (loss) from operations	8%	19%	29%	30%	32%	34%	35%	36%	37%	39%	39%	39%	39%	39%	39%	39%	39%	39%
Interest & other income, net	11%	6%	4%	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Interest expense	1%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Impairment of certain equity investments	0%	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Income (loss) before income taxes	18%	22%	33%	32%	33%	34%	35%	37%	38%	39%	39%	39%	39%	39%	39%	39%	39%	39%
Provision for income taxes	8%	11%	12%	10%	10%	11%	11%	11%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Minority interest in consolidated company	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Equity interest in partnership income (loss)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net income (loss)	11%	12%	21%	22%	23%	24%	24%	25%	26%	26%	25%	24%	22%	21%	20%	19%	19%	19%

EBAY

Common Size Balance Sheet
Fiscal Years Ending Dec. 31st

	2000	2001	2002	2003E	2004E	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Current Assets																		
Cash & cash equivalents	47%	70%	91%	78%	83%	87%	93%	100%	107%	113%	118%	122%	124%	125%	126%	128%	130%	133%
Short-term investments	82%	27%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Accounts receivable, net	16%	14%	14%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Other current assets	12%	8%	8%	8%	8%	8%	8%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Total current assets	157%	118%	121%	108%	113%	117%	123%	129%	136%	142%	147%	151%	153%	154%	155%	157%	159%	162%
Long term investments																		
Gross property & equipment	45%	35%	31%	25%	20%	18%	16%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Less: accumulated depreciation & amortization	16%	16%	13%	10%	8%	7%	7%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Property & equipment, net	29%	19%	18%	15%	12%	11%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%
Goodwill	0%	25%	120%	69%	50%	38%	29%	23%	18%	15%	13%	11%	9%	8%	7%	7%	6%	6%
Intangible assets, net	3%	1%	23%	11%	6%	4%	2%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Deferred tax assets	3%	3%	7%	4%	3%	2%	2%	1%	1%	1%	1%	1%	1%	1%	0%	0%	0%	0%
Other assets	2%	2%	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total assets	274%	224%	340%	237%	207%	190%	180%	175%	175%	175%	177%	178%	178%	178%	177%	178%	180%	182%
Current Liabilities																		
Accounts payable	7%	4%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Accrued expenses & other current liabilities	15%	13%	16%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Deferred revenue & customer advances	3%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Short-term debt	4%	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Income taxes payable	3%	3%	6%	3%	3%	3%	3%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Total current liabilities	32%	24%	32%	28%	28%	28%	28%	28%	28%	28%	29%	29%	29%	29%	29%	29%	29%	29%
Long-term debt																		
Deferred tax liabilities	0%	0%	9%	5%	4%	3%	2%	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Other liabilities	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Minority interests	3%	5%	3%	2%	1%	1%	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%
Total liabilities	216%	153%	143%	136%	121%	108%	100%	93%	89%	85%	83%	82%	82%	81%	81%	81%	81%	81%
Equity																		
Series B mand redeem pfd stk & series B wrts	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Series A convertible preferred stock	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Common stock	218%	170%	256%	152%	115%	90%	72%	59%	49%	42%	38%	34%	31%	30%	28%	28%	28%	28%
Notes receivable from stockholders	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Unearned stock-based compensation	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Retained earnings (accumulated deficit)	17%	22%	34%	41%	53%	63%	73%	82%	92%	100%	107%	112%	115%	116%	117%	119%	120%	123%
Accumulated other comprehensive income (loss)	0%	-1%	3%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total stockholders' equity	235%	191%	293%	194%	168%	153%	145%	141%	141%	142%	144%	145%	146%	146%	145%	146%	148%	151%

EBAY

Value Driver Estimation
Fiscal Years Ending Dec. 31st

	2000	2001	2002	2003E	2004E	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2104E	2015E	2016E	2017E
NOPLAT	12,916	73,267	274,543	450,448	646,667	899,340	1,216,444	1,609,579	2,077,222	2,607,130	3,129,911	3,662,542	4,175,722	4,719,023	5,238,471	5,710,150	6,167,136	6,598,950
Invested Capital	478,055	737,740	1,330,989	2,097,850	2,653,716	3,374,093	4,240,553	5,253,169	6,508,475	7,890,437	9,385,983	10,981,691	12,519,197	14,146,749	15,702,932	17,116,220	18,485,531	19,779,521
ROIC	5%	15%	37%	34%	31%	34%	36%	38%	40%	40%	40%	39%	38%	38%	37%	36%	36%	36%
FCF	(184,143)	(186,419)	(318,706)	(316,413)	90,802	178,962	349,984	596,963	821,915	1,225,168	1,634,364	2,066,834	2,638,216	3,091,470	3,682,288	4,296,861	4,797,825	5,304,961
EP	(18,250)	20,244	192,717	302,822	413,985	605,004	842,207	1,139,240	1,494,569	1,885,245	2,254,746	2,621,499	2,957,692	3,330,461	3,669,390	3,968,466	4,268,698	4,548,635

NOPLAT

Gross profit (loss)	335,971	614,005	1,000,224	1,732,278	2,373,221	3,156,384	4,103,299	5,252,222	6,565,278	8,009,639	9,531,470	11,151,820	12,713,075	14,365,775	15,946,010	17,381,151	18,771,643	20,085,658
Sales & marketing	166,767	253,474	349,650	570,384	781,426	1,039,297	1,351,086	1,729,390	2,161,738	2,637,320	3,138,411	3,671,941	4,186,012	4,730,194	5,250,515	5,723,062	6,180,907	6,613,570
Product development	55,863	75,288	104,636	169,003	231,534	307,940	400,322	512,412	640,515	781,428	929,900	1,087,982	1,240,300	1,401,539	1,555,708	1,695,722	1,831,380	1,959,576
General & administrative	73,027	105,784	171,785	295,755	376,242	461,910	550,442	640,515	720,579	781,428	929,900	1,087,982	1,240,300	1,401,539	1,555,708	1,695,722	1,831,380	1,959,576
Payroll expense on employee stock options	2,337	2,442	4,015	5,674	7,333	8,992	10,651	12,310	13,969	15,628	17,287	18,946	20,605	22,264	23,923	25,582	27,241	28,900
Amortization of acquired intangibles	1,433	36,591	15,941	47,555	47,052	43,844	38,297	37,212	32,753	32,752	-	-	-	-	-	-	-	-
EBITA	36,544	140,426	354,197	643,907	929,633	1,294,401	1,752,500	2,320,383	2,995,724	3,761,082	4,515,973	5,284,968	6,025,857	6,810,239	7,560,155	8,241,063	8,900,735	9,524,035
Provision for income taxes	32,725	80,009	145,946	207,497	292,953	407,028	550,192	727,423	937,849	1,176,258	1,411,477	1,651,135	1,882,074	2,126,560	2,360,350	2,572,703	2,778,476	2,972,963
Merger related costs	674	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest & other income, net	(20,149)	(18,095)	(21,398)	(14,561)	(16,092)	(17,871)	(19,934)	(22,343)	(25,040)	(27,971)	(31,053)	(34,321)	(37,523)	(40,902)	(44,197)	(47,294)	(50,354)	(53,328)
Interest expense	1,451	1,226	642	800	6,383	6,186	6,083	6,012	5,983	5,959	5,935	5,911	5,887	5,863	5,840	5,816	5,792	5,768
Impairment of certain equity investments	674	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Adj. Taxes	15,375	63,140	125,190	193,735	283,245	395,343	536,341	711,092	918,793	1,154,246	1,386,359	1,622,726	1,850,438	2,091,521	2,321,992	2,531,224	2,733,914	2,925,403
Def. Taxes	(8,253)	(4,019)	45,536	276	279	282	285	287	290	293	296	299	302	305	308	311	314	318

NOPLAT	12,916	73,267	274,543	450,448	646,667	899,340	1,216,444	1,609,579	2,077,222	2,607,130	3,129,911	3,662,542	4,175,722	4,719,023	5,238,471	5,710,150	6,167,136	6,598,950
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Invested Capital

CA																		
Normal Cash	329,920	572,640	928,449	1,615,502	2,213,238	2,943,606	3,826,688	4,898,161	6,122,701	7,469,696	8,888,938	10,400,057	11,856,065	13,397,354	14,871,063	16,209,458	17,506,215	18,731,650
Accounts receivable, net	67,163	101,703	172,467	316,880	434,126	577,387	750,603	960,772	1,200,965	1,465,178	1,743,562	2,039,967	2,325,562	2,627,886	2,916,953	3,179,479	3,433,837	3,674,206
Other current assets	52,262	58,683	96,988	169,003	231,534	307,940	400,322	448,360	560,451	683,750	813,662	951,985	1,085,262	1,226,347	1,361,245	1,483,757	1,602,457	1,714,629
	449,345	733,026	1,197,904	2,101,385	2,878,897	3,828,933	4,977,614	6,307,294	7,884,117	9,618,623	11,446,161	13,392,009	15,266,890	17,251,586	19,149,260	20,872,694	22,542,509	24,120,485
CL																		
Accounts payable	31,725	33,235	97,820	169,003	231,534	307,940	400,322	512,412	640,515	781,428	929,900	1,087,982	1,240,300	1,401,539	1,555,708	1,695,722	1,831,380	1,959,576
Accrued expenses & other current liabilities	66,697	94,593	199,323	311,566	426,845	567,704	738,015	944,660	1,180,825	1,440,606	1,714,321	2,005,756	2,286,562	2,583,815	2,868,034	3,126,157	3,376,250	3,612,588
Income taxes payable	11,092	20,617	67,265	64,324	90,816	126,179	170,560	225,501	290,733	364,640	437,558	511,852	583,443	659,234	731,708	797,538	861,328	921,619
	109,514	148,445	364,408	544,893	749,195	1,001,823	1,308,897	1,682,573	2,112,073	2,586,674	3,081,779	3,605,590	4,110,305	4,644,587	5,155,451	5,619,417	6,068,957	6,493,783
Net PPE	125,161	142,349	218,028	309,448	339,155	405,968	469,119	562,943	703,679	858,488	1,021,601	1,195,273	1,362,611	1,539,750	1,709,123	1,862,944	2,011,980	2,152,818
Intangible Assets	13,063	10,810	279,465	231,910	184,858	141,014	102,717	65,505	32,752	-	-	-	-	-	-	-	-	-
Invested Capital	478,055	737,740	1,330,989	2,097,850	2,653,716	3,374,093	4,240,553	5,253,169	6,508,475	7,890,437	9,385,983	10,981,691	12,519,197	14,146,749	15,702,932	17,116,220	18,485,531	19,779,521

EBAY*Weighted Average Cost of Capital (WACC) Estimation*

	Stock Price	Shares Outstanding	Cost of Equity	Value of Equity
Equity	55.24	645,986,000	11%	35,684,266,640
	Debt Rating		Cost of Debt	Value of Debt
Debt	A		5.15%	16,768,000
				<u>Total Value</u> 35,701,034,640
Beta	1.5			D/E Ratio 0.000470
Risk Free	4.30%			
Market Premium	4.53%			
Implied Spread from Coverage	0.85%			

WACC**11.09%**

Relative P/E Analysis - EBAY (11/04/03)

Ticker	Company	Price	EPS 2003E	EPS 2004E	P/E 03	P/E 04	Est. 5yr Gr.	PEG 03	PEG 04
CTSH	Cognizant Technology Solutions	\$ 45.37	\$0.86	\$1.09	52.8	41.6	28.6	1.84	1.46
INFY	Infosys Technologies	\$ 80.31	\$1.76	\$1.93	45.6	41.6	26.7	1.71	1.56
EXBD	Corporate Executive Board	\$ 47.49	\$1.12	\$1.33	42.4	35.7	29.6	1.43	1.21
CHS	Chico's FAS	\$ 37.55	\$0.95	\$1.05	39.5	35.8	24.6	1.61	1.45
KKD	Krispy Kreme Doughnuts	\$ 40.23	\$0.80	\$0.90	50.3	44.7	32.5	1.55	1.38
SINA	Sina Corporation	\$ 34.05	\$0.66	\$1.06	51.6	32.1	40	1.29	0.80
QLGC	QLogic Corporation	\$ 55.64	\$1.36	\$1.47	40.9	37.9	19.8	2.07	1.91
Average					46.1	39.9		1.6	1.4
EBAY	EBAY	\$ 55.24	\$0.74	\$1.06	74.6	52.1	43.9	1.70	1.19

Implied Value:

Relative P/E (EPS03)	\$ 34.13
Relative P/E (EPS04)	\$ 42.27
PEG Ratio (EPS03)	\$ 52.89
PEG Ratio (EPS04)	\$ 65.61

(average PEG ratio * EBAY growth * EBAY EPS)